

**§ 4518. Modernization of small business suppliers****(a) In general**

In providing any assistance under this chapter, the President shall accord a strong preference for small business concerns which are subcontractors or suppliers, and, to the maximum extent practicable, to such small business concerns located in areas of high unemployment or areas that have demonstrated a continuing pattern of economic decline, as identified by the Secretary of Labor.

**(b) Modernization of equipment****(1) In general**

Funds authorized under subchapter II may be used to guarantee the purchase or lease of advance manufacturing equipment, and any related services with respect to any such equipment for purposes of this chapter.

**(2) Small business suppliers**

In considering proposals for subchapter II projects under paragraph (1), the President shall provide a strong preference for proposals submitted by a small business supplier or subcontractor whose proposal—

(A) has the support of the department or agency which will provide the guarantee;

(B) reflects that the small business concern has made arrangements to obtain qualified outside assistance to support the effective utilization of the advanced manufacturing equipment being proposed for installation; and

(C) meets the requirements of section 4531, 4532, or 4533 of this title.

(Sept. 8, 1950, ch. 932, title I, § 108, as added Pub. L. 102-558, title I, § 111, Oct. 28, 1992, 106 Stat. 4202.)

**TERMINATION OF SECTION**

*For termination of section, see section 4564(a) of this title.*

**REFERENCES IN TEXT**

This chapter, referred to in subsecs. (a) and (b)(1), was in the original “this Act”, meaning act Sept. 8, 1950, ch. 932, 64 Stat. 798, known as the Defense Production Act of 1950, which is classified principally to this chapter. For complete classification of this Act to the Code, see section 4501 of this title and Tables.

**CODIFICATION**

Section was formerly classified to section 2078 of the former Appendix to this title prior to editorial reclassification and renumbering as this section.

**EFFECTIVE DATE**

Section deemed to have become effective Mar. 1, 1992, see section 304 of Pub. L. 102-558, set out as an Effective Date of 1992 Amendment note under section 4502 of this title.

**DELEGATION OF FUNCTIONS**

Functions of the President under this chapter relating to the production, conservation, use, control, distribution, and allocation of energy, delegated to the Secretary of Energy, see section 4 of Ex. Ord. No. 11790, eff. June 25, 1974, 39 F.R. 23185, set out as a note under section 761 of Title 15, Commerce and Trade.

**SUBCHAPTER II—EXPANSION OF  
PRODUCTIVE CAPACITY AND SUPPLY****CODIFICATION**

Title III of the Defense Production Act of 1950, comprising this subchapter, was originally enacted as part of act Sept. 8, 1950, ch. 932, 64 Stat. 798, and amended by acts June 2, 1951, ch. 121, 65 Stat. 52; July 31, 1951, ch. 275, 65 Stat. 131; June 30, 1952, ch. 530, 66 Stat. 296; June 30, 1953, ch. 171, 67 Stat. 129; Aug. 9, 1955, ch. 655, 69 Stat. 580; June 29, 1956, ch. 474, 70 Stat. 408; Pub. L. 86-560, June 30, 1960, 74 Stat. 282; Pub. L. 88-343, June 30, 1964, 78 Stat. 235; Pub. L. 91-379, Aug. 15, 1970, 84 Stat. 796; Pub. L. 92-325, June 30, 1972, 86 Stat. 390; Pub. L. 93-155, Nov. 16, 1973, 87 Stat. 605; Pub. L. 93-426, Sept. 30, 1974, 88 Stat. 1166; Pub. L. 94-273, Apr. 21, 1976, 90 Stat. 375; Pub. L. 96-41, July 30, 1979, 93 Stat. 319; Pub. L. 96-294, June 30, 1980, 94 Stat. 611; Pub. L. 98-265, Apr. 17, 1984, 98 Stat. 149; Pub. L. 99-441, Oct. 3, 1986, 100 Stat. 1117; Pub. L. 102-558, Oct. 28, 1992, 106 Stat. 4198; Pub. L. 107-47, Oct. 5, 2001, 115 Stat. 260; Pub. L. 107-314, Dec. 2, 2002, 116 Stat. 2458. Title III is shown here, however, as having been added by Pub. L. 111-67, § 7, Sept. 30, 2009, 123 Stat. 2010, without reference to the intervening amendments because of the extensive revision of the title's provisions by Pub. L. 111-67.

**§ 4531. Presidential authorization for the national defense****(a) Expediting production and deliveries or services****(1) Authorized activities**

To reduce current or projected shortfalls of industrial resources, critical technology items, or essential materials needed for national defense purposes, subject to such regulations as the President may prescribe, the President may authorize a guaranteeing agency to provide guarantees of loans by private institutions for the purpose of financing any contractor, subcontractor, provider of critical infrastructure, or other person in support of production capabilities or supplies that are deemed by the guaranteeing agency to be necessary to create, maintain, expedite, expand, protect, or restore production and deliveries or services essential to the national defense.

**(2) Presidential determinations required**

Except during a period of national emergency declared by Congress or the President, a loan guarantee may be entered into under this section only if the President determines that—

(A) the loan guarantee is for an activity that supports the production or supply of an industrial resource, critical technology item, or material that is essential for national defense purposes;

(B) without a loan guarantee, credit is not available to the loan applicant under reasonable terms or conditions sufficient to finance the activity;

(C) the loan guarantee is the most cost effective, expedient, and practical alternative for meeting the needs of the Federal Government;

(D) the prospective earning power of the loan applicant and the character and value of the security pledged provide a reasonable assurance of repayment of the loan to be guaranteed;

(E) the loan to be guaranteed bears interest at a rate determined by the Secretary of

the Treasury to be reasonable, taking into account the then-current average yield on outstanding obligations of the United States with remaining periods of maturity comparable to the maturity of the loan;

(F) the loan agreement for the loan to be guaranteed provides that no provision of the loan agreement may be amended or waived without the consent of the fiscal agent of the United States for the guarantee; and

(G) the loan applicant has provided or will provide—

(i) an assurance of repayment, as determined by the President; and

(ii) security—

(I) in the form of a performance bond, insurance, collateral, or other means acceptable to the fiscal agent of the United States; and

(II) in an amount equal to not less than 20 percent of the amount of the loan.

### **(3) Limitations on loans**

Loans under this section may be—

(A) made or guaranteed under the authority of this section only to the extent that an appropriations Act—

(i) provides, in advance, budget authority for the cost of such guarantees, as defined in section 661a of title 2; and

(ii) establishes a limitation on the total loan principal that may be guaranteed; and

(B) made without regard to the limitations of existing law, other than section 1341 of title 31.

### **(b) Fiscal agents of the United States**

#### **(1) In general**

Any Federal agency or any Federal reserve bank, when designated by the President, is hereby authorized to act, on behalf of any guaranteeing agency, as fiscal agent of the United States in the making of such contracts of guarantee and in otherwise carrying out the purposes of this section.

#### **(2) Funds**

All such funds as may be necessary to enable any fiscal agent described in paragraph (1) to carry out any guarantee made by it on behalf of any guaranteeing agency shall be supplied and disbursed by or under authority from such guaranteeing agency.

#### **(3) Limit on liability**

No fiscal agent described in paragraph (1) shall have any responsibility or accountability, except as agent in taking any action pursuant to or under authority of this section.

#### **(4) Reimbursements**

Each fiscal agent described in paragraph (1) shall be reimbursed by each guaranteeing agency for all expenses and losses incurred by such fiscal agent in acting as agent on behalf of such guaranteeing agency, including, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

### **(c) Oversight**

#### **(1) In general**

All actions and operations of fiscal agents under authority of or pursuant to this section

shall be subject to the supervision of the President, and to such regulations as the President may prescribe.

### **(2) Other authority**

The President is authorized to prescribe—

(A) either specifically or by maximum limits or otherwise, rates of interest, guarantee and commitment fees, and other charges which may be made in connection with loans, discounts, advances, or commitments guaranteed by the guaranteeing agencies through fiscal agents under this section; and

(B) regulations governing the forms and procedures (which shall be uniform to the extent practicable) to be utilized in connection with such guarantees.

### **(d) Aggregate guarantee amounts**

#### **(1) Industrial resource and critical technology shortfalls**

##### **(A) In general**

If the making of any guarantee or obligation of the Federal Government under this subchapter relating to a domestic industrial base shortfall would cause the aggregate outstanding amount of all guarantees for such shortfall to exceed \$50,000,000, any such guarantee may be made only—

(i) if the President has notified the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives in writing of the proposed guarantee; and

(ii) after the 30-day period following the date on which notice under clause (i) is provided.

##### **(B) Waivers authorized**

The requirements of subparagraph (A) may be waived—

(i) during a period of national emergency declared by Congress or the President; or

(ii) upon a determination by the President, on a nondelegable basis, that a specific guarantee is necessary to avert an industrial resource or critical technology item shortfall that would severely impair national defense capability.

### **(2) Other limitations**

The authority conferred by this section shall not be used primarily to prevent the financial insolvency or bankruptcy of any person, unless—

(A) the President certifies that the insolvency or bankruptcy would have a direct and substantially adverse effect upon national defense production; and

(B) a copy of the certification under subparagraph (A), together with a detailed justification thereof, is transmitted to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives not later than 10 days prior to the exercise of that authority for such use.

(Sept. 8, 1950, ch. 932, title III, §301, as added Pub. L. 111-67, §7, Sept. 30, 2009, 123 Stat. 2010.)

#### **TERMINATION OF SECTION**

*For termination of section, see section 4564(a) of this title.*

## CODIFICATION

Section was formerly classified to section 2091 of the former Appendix to this title prior to editorial reclassification and renumbering as this section.

## PRIOR PROVISIONS

A prior section 301 of act Sept. 8, 1950, ch. 932, title III, 64 Stat. 800; June 30, 1953, ch. 171, § 4, 67 Stat. 129; Pub. L. 91-379, title I, § 104, Aug. 15, 1970, 84 Stat. 799; Pub. L. 96-294, title I, § 104(a), (b), June 30, 1980, 94 Stat. 618; Pub. L. 98-265, §§ 3(a), 4(a), Apr. 17, 1984, 98 Stat. 149, 150; Pub. L. 102-558, title I, §§ 121(a), 141, Oct. 28, 1992, 106 Stat. 4203, 4217; Pub. L. 107-47, § 4(1)–(3), (5), Oct. 5, 2001, 115 Stat. 260, related to loan guarantees, prior to the general amendment of title III of this Act by Pub. L. 111-67.

## DELEGATION OF FUNCTIONS

Functions of President under this chapter relating to production, conservation, use, control, distribution, and allocation of energy, delegated to Secretary of Energy, see section 4 of Ex. Ord. No. 11790, eff. June 25, 1974, 39 F.R. 23185, set out as a note under section 761 of Title 15, Commerce and Trade.

For delegation of authority of President under subsec. (a)(2) of this section, see section 305(a) of Ex. Ord. No. 13603, Mar. 16, 2012, 77 F.R. 16654, set out as a note under section 4553 of this title.

## LIMITATION ON CANCELLATION OF DESIGNATION OF SECRETARY OF THE AIR FORCE AS DEPARTMENT OF DEFENSE EXECUTIVE AGENT

Pub. L. 115-232, div. A, title XVII, § 1792, Aug. 13, 2018, 132 Stat. 2238, provided that:

“(a) LIMITATION ON CANCELLATION OF DESIGNATION.—The Secretary of Defense may not implement the decision, issued on July 1, 2017, to cancel the designation, under Department of Defense Directive 4400.01E, entitled ‘Defense Production Act Programs’ and dated October 12, 2001, of the Secretary of the Air Force as the Department of Defense Executive Agent for the program carried out under title III of the Defense Production Act of 1950 (50 U.S.C. 4531 et seq.) until the date specified in subsection (c).

“(b) DESIGNATION.—The Secretary of the Air Force shall continue to serve as the sole and exclusive Department of Defense Executive Agent for the program described in subsection (a) until the date specified in subsection (c).

“(c) DATE SPECIFIED.—The date specified in this subsection is the date of the enactment of a joint resolution or an Act approving the implementation of the decision described in subsection (a).”

**§ 4532. Loans to private business enterprises****(a) Loan authority**

To reduce current or projected shortfalls of industrial resources, critical technology items, or materials essential for the national defense, the President may make provision for loans to private business enterprises (including nonprofit research corporations and providers of critical infrastructure) for the creation, maintenance, expansion, protection, or restoration of capacity, the development of technological processes, or the production of essential materials, including the exploration, development, and mining of strategic and critical metals and minerals.

**(b) Conditions of loans**

Loans may be made under this section on such terms and conditions as the President deems necessary, except that—

- (1) financial assistance may be extended only to the extent that it is not otherwise

available from private sources on reasonable terms; and

- (2) during periods of national emergency declared by the Congress or the President, no such loan may be made unless the President determines that—

(A) the loan is for an activity that supports the production or supply of an industrial resource, critical technology item, or material that is essential to the national defense;

(B) without the loan, United States industry cannot reasonably be expected to provide the needed capacity, technological processes, or materials in a timely manner;

(C) the loan is the most cost-effective, expedient, and practical alternative method for meeting the need;

(D) the prospective earning power of the loan applicant and the character and value of the security pledged provide a reasonable assurance of repayment of the loan in accordance with the terms of the loan, as determined by the President; and

(E) the loan bears interest at a rate determined by the Secretary of the Treasury to be reasonable, taking into account the then-current average yield on outstanding obligations of the United States with remaining periods of maturity comparable to the maturity of the loan.

**(c) Limitations on loans**

Loans under this section may be—

- (1) made or guaranteed under the authority of this section only to the extent that an appropriations Act—

(A) provides, in advance, budget authority for the cost of such guarantees, as defined in section 661a of title 2; and

(B) establishes a limitation on the total loan principal that may be guaranteed; and

- (2) made without regard to the limitations of existing law, other than section 1341 of title 31.

**(d) Aggregate loan amounts****(1) In general**

If the making of any loan under this section to correct a shortfall would cause the aggregate outstanding amount of all obligations of the Federal Government under this subchapter relating to such shortfall to exceed \$50,000,000, such loan may be made only—

(A) if the President has notified the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives, in writing, of the proposed loan; and

(B) after the 30-day period following the date on which notice under subparagraph (A) is provided.

**(2) Waivers authorized**

The requirements of paragraph (1) may be waived—

(A) during a period of national emergency declared by the Congress or the President; and

(B) upon a determination by the President, on a nondelegable basis, that a specific loan is necessary to avert an industrial resource